

Dear Broker:

The Risk Management Agency (RMA) is preparing to implement Round II of the Dairy Options Pilot Program (DOPP) in selected counties throughout the United States. DOPP is a program sponsored by the USDA to teach interested producers how futures and options may be used as price risk management tools.

Under DOPP, producers have the opportunity to purchase milk put options to protect against the possibility of falling prices. In order to encourage producers to purchase options, the USDA will share in the trading costs. Specifically, USDA will pay eighty (80) percent of the option premium and up to \$30 per round turn for broker commissions.

Participating brokers play an important role in DOPP. They transmit data electronically on producers' DOPP trading activities. These data are necessary to account for cost-sharing expenses and to monitor producer participation. Please be aware that any account opened by a participating DOPP producer must be kept separate from any other account the producer may have.

Please read the enclosed contract carefully. To participate in DOPP, you must complete all information requested in the contract. If you meet the eligibility criteria outlined in the contract and choose to participate, please sign and return the contract to:

Mailing Address:

USDA-Risk Management Agency-DOPP
1400 Independence Ave. SW, Stop 0808
Portals Bldg., 5th Floor, Suite 508
Washington, D.C. 20250-0808

Express/Overnight Mail:

USDA-Risk Management Agency-DOPP
1250 Maryland Ave. SW
Portals Bldg., 5th Floor, Suite 508
Washington, D.C. 20024

Eligible brokers will be sent a fully executed copy of the contract. Also enclosed is an "ACH Vendor/Miscellaneous Payment Enrollment Form." The information on this form is necessary in order to expedite DOPP reimbursement payments.

All participating DOPP brokers must have the ability to communicate with RMA electronically. To do that, you should have the following: 1) an Internet service provider; 2) an Internet e-mail address; 3) a Windows 95[®] based PC or higher; 4) an Internet browser, which may include either Microsoft Internet Explorer[®] or Netscape[®]; 5) at least a 28.8 modem; and 6) at least 8 MB RAM (16 MB is recommended).

RMA requires that you attend at least one DOPP training session. This requirement will ensure that you understand the objectives and mechanics of DOPP.

We appreciate your prospective interest in participating in DOPP. We look forward to working with you to deliver this educational program. If you have any questions regarding DOPP, please contact Lon Burke at (202) 720-5265. You may also obtain DOPP information on our website at www.rma.usda.gov. Click on Producer Training. The website will list the date, time and location of all scheduled training meetings.

Sincerely,

Craig Witt, Director
Risk Management Education